



Oklahoma Economic Report™

News and analysis of Oklahoma's economy

A publication of the Office of the State Treasurer • Treasurer Ken Miller, Ph.D.

Charting a new course

The Oklahoma State Treasurer's office is launching a significant enhancement in the operation of its unclaimed property program, entering uncharted territory as it works to set the standard in reuniting owners with their lost money and valuables.

When businesses holding money or other valuable items lose track of the owners, those items are turned over to the state to hold and return to the rightful owner.

Without such programs, the businesses would retain billions in forgotten deposits, overpayments, royalties,

rebates, stocks, bonds, unpaid wages and safe deposit box contents.

With the state as the safe-keeper of the assets, the rightful owners or heirs always have the opportunity to reclaim what's theirs. And if they don't, the proceeds will eventually be used for the common good.

The amount of property turned over to the state every year is significant; Oklahoma's unclaimed property program is currently holding nearly \$500 million for 825,000 Oklahomans, meaning about one in five Oklahomans has something to claim.

The program was started in 1967, and as in all states, history demonstrates that far more property will be received than what is ever claimed. With better compliance, holder reporting has grown from \$125 million in 2001 to the half a billion today.

While other states secure these funds as a major revenue source, Oklahoma law specifies that the program's cash holdings remain designated for payment of claims and for administration, with state use of the funds secondary to claims being paid.

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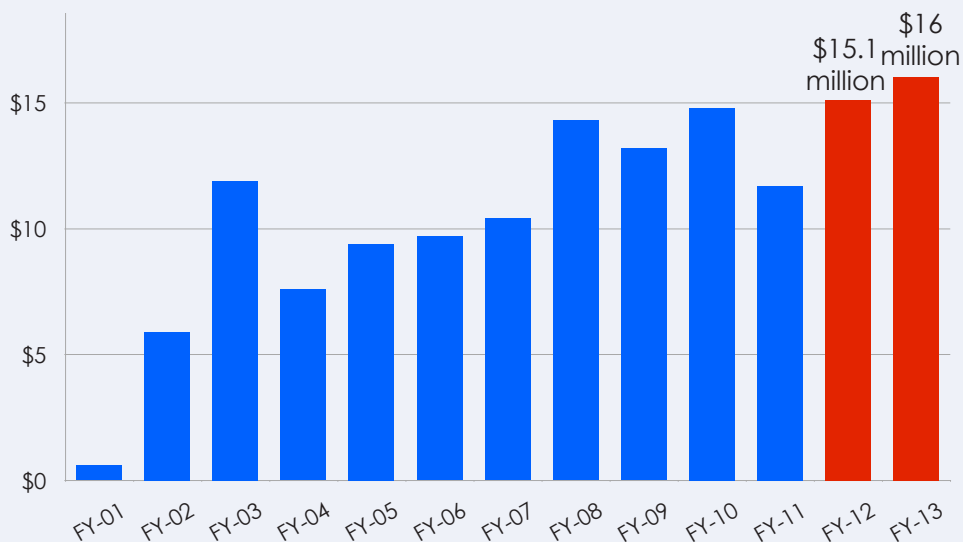
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Unclaimed Property Amount Returned (in millions)



Note: Excludes reciprocal payments to other states.

Source: Office of the State Treasurer



Treasurer's Commentary By Ken Miller, Ph.D.

Unclaimed Property 2.0

Change is a simple word that is usually met with universal resistance. Though by nature we are no doubt creatures of change, many of us evolve into creatures of habit as we become comfortable in our routines. This is even more true in government where “the way we have always done it” typically prevails aided by vested interests who work to insure the status quo.

Fortunately at the state treasury, a dedicated and hardworking staff has embraced constant change for the last 30 months as we continually challenged every aspect of our operation. We have eliminated non-core functions, consolidated our physical plant, modernized information systems, and greatly increased our productivity all while reducing our staff and budget.

The treasury area faced with the greatest challenge has been the unclaimed property division.

After the discovery of an ongoing embezzlement scheme just six months into my administration, normal operations gave way to strengthening internal policies and procedures as well as assisting investigations, prosecutions and convictions of wrongdoers.

Recognizing the value of an independent review of those policies

and procedures, my office sought the expertise of one of our states’ foremost authorities on financial controls to further enhance our ability to continue meeting our fiduciary responsibilities.

The just completed audit found that adequate controls are currently in place but did offer suggestions for improvement. Those suggested changes, and many others, will be immediately implemented so we can build on our recent successes.

“This ground-breaking, results-oriented approach is well suited for a state serious about returning unclaimed property.”

Astonishingly, given the legal and audit distractions of the last two years, the treasury’s unclaimed property division set back-to-back records for money returned, reaching an all-time high of \$16 million for the 2013 fiscal year!

Even so, after months of preparation, we at treasury are excited to unveil “Unclaimed Property 2.0”. Today



the unclaimed property division has a new location, a fresh marketing campaign, and an innovative compensation program, all designed to meet our objective of getting more money back into the hands of rightful owners.

Unclaimed property is now fully operational in its new home on the second floor of the State Capitol building. The move eliminates rental expenses, promotes cross-utilization of staff and provides an easily identifiable and convenient location for property owners.

In addition to our current attempts to inform the public, this month we begin supplementing those efforts with new branding across multiple media outlets. Due to the hundreds of thousands of Oklahomans with unclaimed property and the high cost of employing heir finders, mass media is the more cost-effective method of reuniting most rightful owners with their property. All

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Commentary

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media cost will be paid from unclaimed property monies and not taxpayer dollars.

Because people respond to incentives,

we have injected private-sector principles into our reunification efforts. To help meet our objective of increasing dollars returned, unclaimed property staff compensation is now based on performance; more dollars returned means more dollars earned. This groundbreaking, results-oriented

approach is well suited for a state serious about returning unclaimed property.

We at the state treasury are excited to implement these changes as part of our ongoing efforts to improve the efficiency and productivity of our operations for the benefit of all Oklahomans.

New course

FROM PAGE 1

Property owners always retain their rights; at no time does ownership convert to the state.

Every year the Legislature submits its request for use of unclaimed property funds. The treasurer then determines if that requested amount will allow sufficient reserves to meet claims initiated in the coming year.

Should the fund ever dip below what is needed to pay claims – which has never occurred – the state is obligated to replace the necessary funding.

More public outreach

Oklahoma has worked hard to protect the function of its unclaimed property program as a public service.

Treasurer Miller has consistently urged the Legislature to be judicious with the funds, and to use them only for non-recurring budget items.

Oklahoma law also requires outreach efforts, something not all states encourage due to their dependence on the revenue.

Oklahoma requires the names and last known addresses of people with

unclaimed property be published in state newspapers. The names published are only for newly reported property but can still number in the tens of thousands in large counties. A searchable list of names is always available on a website, which the office is also required to publicize.

While the mandatory advertising consistently brings strong results, a more aggressive outreach effort is set for the new fiscal year as part of a comprehensive upgrade of the unclaimed property program.

Prior to the state receiving abandoned property, businesses are required by law to make a good faith effort to notify the owners.

The information sent to the state includes the name and last known address of the owner, which presumably is incorrect or the business would have been able to locate them before sending it to the state, the holder of last resort.

Unclaimed property programs – in Oklahoma and across the nation – are not investigative programs to track down owners. Rather, they serve as “lost and found” boxes, with the misplaced items always waiting for the owners to retrieve them.

Looking to the private sector for new ideas, the treasurer’s office will now be working with other state and local agencies to share data that may help identify correct addresses, and

going directly into communities to increase awareness of the program and conduct on-the-spot searches for the public.

Recognizing the ever increasing value of the internet, the treasurer’s office is expanding marketing

efforts beyond the minimum publishing requirements into this growing medium. These efforts include a new web address for the online property search page, www.yourmoney.ok.gov. Online banner ads will also be used to drive the public to the easy-to-search website.

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“During fiscal years 2012 and 2013, the treasury set record highs for total funds returned to owners.”

Opinions and positions cited in the *Oklahoma Economic Report™* are not necessarily those of Oklahoma State Treasurer Ken Miller or his staff, with the exception of the *Treasurer’s Commentary*, which of course, is the viewpoint of the treasurer.



New course

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The office will also add to the required print advertising while expanding messaging with radio advertisements.

Funding for the current and enhanced advertising efforts is provided entirely from money remitted as unclaimed property. No tax dollars are used to pay for any of the outreach or other costs related to administering the program.

The treasurer's office operates the unclaimed property division well below national cost guidelines and routinely transfers to the general fund money set aside for the program's operation.

Record years

Oklahoma's unclaimed property program returns assets to tens of thousands of Oklahomans every year. Some have become millionaires overnight, while others have seen the

return of a sentimental piece of family history. But most people receive a relatively small payout.

Many people choose to not claim their property upon learning the amount. Even if the state is reasonably sure of an owner's identity, the owner can't be forced to make a claim.

States' unclaimed property programs are responsible for returning items to the *rightful* owner. Proof of identity is required before any claim is paid. However, in 2007 Oklahoma began offering a paperless "fast track" claims service for lower-value claims when identification of owners could be electronically verified through tax or other public records.

Initially used for claims of \$1,500 or less, the state now offers the service for claims up to \$5,000. These paperless claims are processed immediately and paid within five business days.

The greatest benefit of this option is that more Oklahomans are getting their money faster. Additional benefits include savings on postage, paper and printing costs, and more efficient use of staff time.

For fiscal years 2012 and 2013, the treasury set record highs for total funds returned to owners. It's also taking less time for people to get what belongs to them. State law requires claims be processed within 90 days. The office currently averages 80 days amongst all properties from the time a claim is filed until the property is recovered, and is working to reduce that number to 60 days or less.

While many claims are paid quicker than the average, more complicated claims take longer, especially those with deceased owners and large dollar amounts, which require probate and attorneys to ensure proper distribution to heirs.

Performance pilot

With the enhanced marketing and outreach, the treasurer's office expects an increase in the volume of claims submitted to the office.

So, the challenge became how to handle the increased workload: add more employees and expand the office or keep the same staff but ask them to work more hours and increase the budget for overtime? The treasurer had another idea: rather than grow government, borrow best business practices from the private sector.

With the division just completing another record year, the treasurer set the bar even higher for the coming year. To incentivize employees to reach

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Rebranding Unclaimed Property

Got unclaimed property?

www.yourmoney.ok.gov

The message for all unclaimed property promotion, has been updated to key on the question "**Got unclaimed property?**" A new web address is also being introduced: www.yourmoney.ok.gov.



New course

FROM PAGE 4

or exceed that goal, he launched a first-in-the-nation pilot program using performance-based pay for unclaimed property staff.

Employees handling claims will have the opportunity to earn additional pay for achieving results above current record levels of returns.

With the new incentive structure, the office expects to far surpass the records set in each of the past two years.

A true public service

The state's unclaimed property program isn't the only way for the public to have forgotten assets returned, but it is the only option that is free to the user.

State statutes prohibit publication of a property's value due to security precautions against fraudulent claims and privacy protection for owners and heirs.

However, the names of property owners are public records and a cottage industry of heir finders developed to try and match those names with property – for a fee.

In states without caps, finder fees can be as much as 50 percent of the claim's value. In Oklahoma, finders can retain up to 25 percent of the value of recovered assets.

Several other states, such as Nevada,

Louisiana and Massachusetts, have capped finder fees at 10 percent. The tightest cap appears to be in Washington state, where finders are limited to no more than five percent of asset's value.

Under such an arrangement, the finder will ask a potential owner to sign

a contract. The majority of firms that provide these services work within the law, but there are also many unclaimed property scams across the United States.

The best advice for anyone contacted by a finder is to

first check the state's free, searchable website.

Best practices

Across all areas of its operations, the

treasurer's office is implementing changes to continually enhance service and performance for the public while keeping costs down.

Uncharted territory lies ahead with the reboot of the state's unclaimed property program. When a best practice model doesn't exist, sometimes a new one must be created.

Being the first in the nation to try new approaches comes with challenges. Business-as-usual would have been to do only what state law required.

Instead, the coming year will be spent charting a new course to inform the public of this service and hopefully reuniting more citizens with their belongings.

The results could be to position Oklahoma's unclaimed property program as a model for the nation to follow.

“When a best practices model doesn't exist, sometimes a new one must be created.”

Ways Money Goes Missing

- After a move, accounts or utility security deposits are forgotten.
- Checks for dividend payments or refunds never arrive or are misplaced and not cashed.
- An heir is unaware of rights to an insurance policy or death benefit.
- An heir is unaware of a bank account, safe deposit box or stock.
- Businesses lose track of owners due to a change of address.
- Mailed payments are returned as non-deliverable due to a clerical error at a company such as a typo in a name or address.
- Items become abandoned when a person dies without a will to distribute their assets.
- Property is lost due to a business dissolution or merger.
- Parents establish accounts in the names of minor children, then forget about the accounts.



Gross receipts & General Revenue compared

The Treasurer's June 5 gross receipts to the treasury report and the Office of Management and Enterprise Services' May 14 General Revenue Fund (GRF) report have several differences.

May gross receipts totaled \$883.8 million, while the GRF received \$455.4 million or 51.5 percent of the total.

The GRF received between 32.2 percent and 57.3 percent of gross collections during the past 12 months.

From May gross receipts, the GRF received:

- Personal income tax: 64.7%
- Corporate income tax: 61.1%
- Sales tax: 45.3%
- Gross production-Gas: none
- Gross production-Oil: 68.4%
- Motor vehicle tax: 28.5%
- Other sources: 53.1%

May GRF allocations were below the estimate by \$15.7 million or 3.3 percent. In April, collections were above the estimate by \$34.7 million or 5.2 percent.

For the month, insurance premium taxes totaled \$3.1 million.

Tribal gaming fees generated \$10.2 million during May.

May gross receipts to the treasury show steady growth

Oklahoma's economy continued to exhibit steady growth during May, State Treasurer Ken Miller said as he released the monthly gross receipts to the treasury report.

For the first time in 18 months, gross production tax collections exceeded the same month of prior year, climbing to \$63.89 million in May.

That is \$790,000 or 1.2 percent above May of last year. Starting almost two years ago, gross production collections began to drop, hitting a trough in August 2012. Since

then, collections have trended upwards.

Total collections for the month of \$883.8 million reflected growth of 2.9 percent

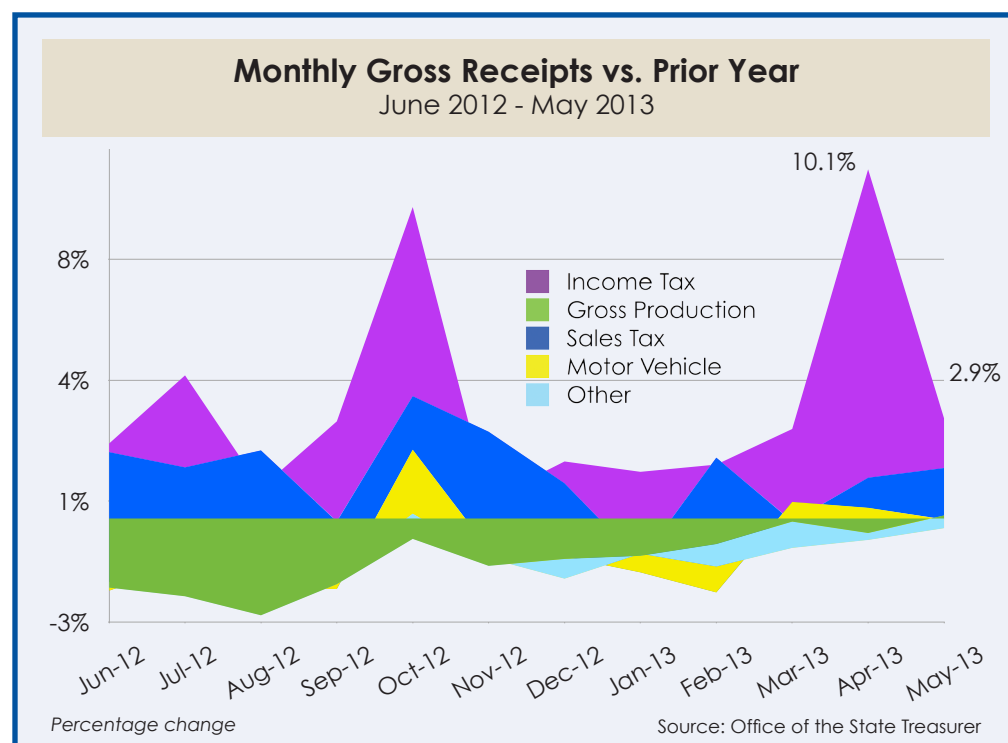
over May of last year. That compares to an average growth rate of 2.3 percent during the past 12 months.

Twelve-month collections now total \$11.247 billion and are only about \$36 million below Oklahoma's peak

12-month collections of \$11.283 billion set in December 2008.

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“The increase in gross production collections is most encouraging.”





Oklahoma unemployment rate rises slightly in May

Oklahoma's unemployment rate was listed at 5.0 percent in May by the Oklahoma Employment Security Commission, up one-tenth of one percentage point from the April rate.

Reports show state employment grew by 2,050 jobs during the month, while the jobless number rose by 2,750. The increase in the unemployment rate is the first over-the-month rise since July 2012.

The U.S. jobless rate was set at 7.6 percent in May.

State Unemployment				
OKLAHOMA	Unemp. rate*	Labor force*	Employment*	Unemployment*
May '13	5.0%	1,817,750	1,726,130	91,620
Apr '13	4.9%	1,812,950	1,724,070	88,870
Mar '13	5.0%	1,814,740	1,723,940	90,790
Feb '13	5.0%	1,817,380	1,726,140	91,240
Jan '13	5.1%	1,818,740	1,726,380	92,360
Dec '12	5.1%	1,816,630	1,723,540	93,090
May '12	5.1%	1,796,990	1,704,750	92,250

* Data adjusted for seasonal factors

Source: OESC

Revenue

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"Oklahoma's economy continues to show improvement," Miller said. "The increase in gross production collections is most encouraging. Crossing the monthly collections threshold this month

is heartening as we have been observing general growth during the past several months."

Income tax and sales tax collections rose during the month, up by 4.6 percent and 3.8 percent respectively from May

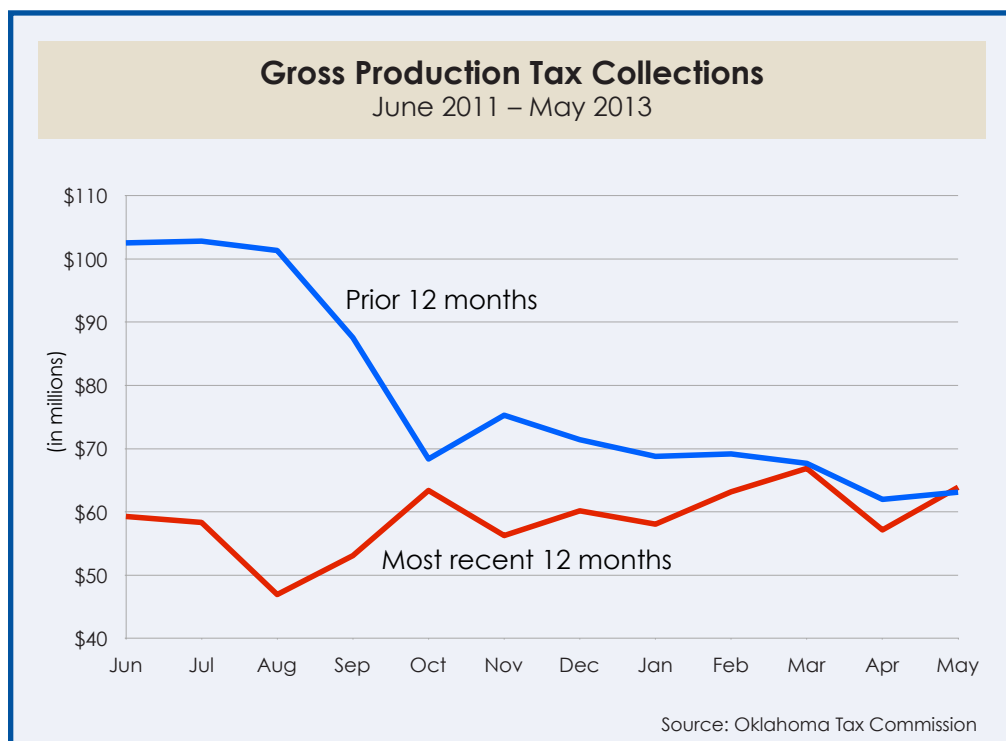
of last year. Motor vehicle collections were below prior year collections by 5.2 percent.

Other indicators

The state's unemployment rate continues to reflect the strength of the Oklahoma economy, Miller said. Oklahoma's 5.0 percent May unemployment rate compares to a national rate of 7.6 percent.

April unemployment in the Oklahoma City metro was set at 4.1 percent, down from 4.7 percent in March. It is the lowest jobless rate out of the nation's 49 largest metropolitan areas, a distinction held for the past 13 months.

The Business Conditions Index for Oklahoma remained above growth neutral for May, dipping slightly to 55.6 from April's 59.8. The survey shows average hourly wage growth of 6.2 percent, much higher than both the U.S. and regional averages. The results indicate positive growth will continue for the next three to six months.

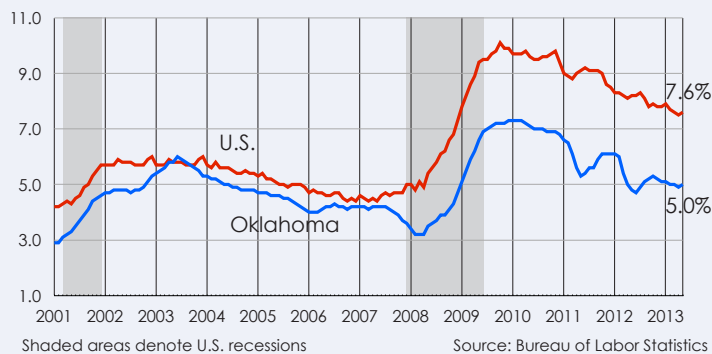




Economic Indicators

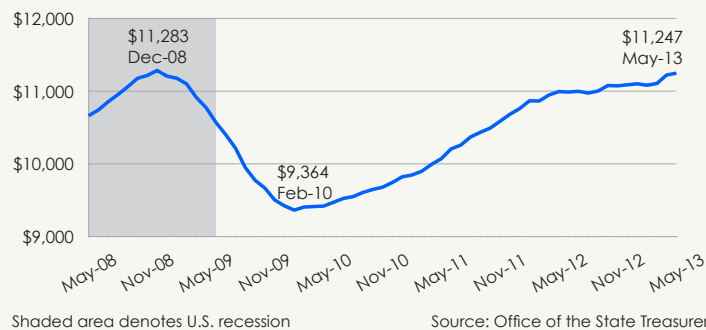
Unemployment Rate

January 2001 – April 2013

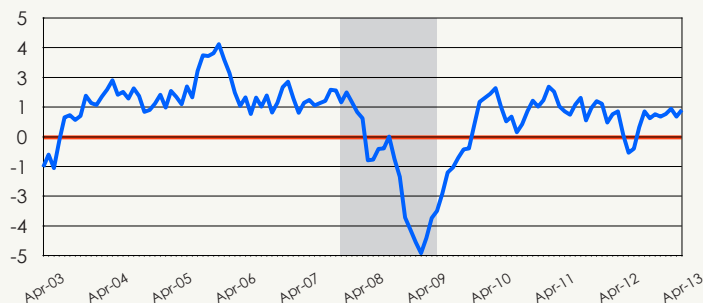


Oklahoma 12-Month Gross Receipts

May 2008 - May 2013
(in millions)



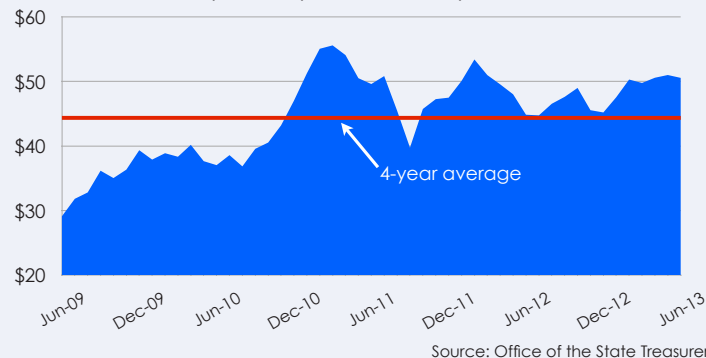
Leading Index for Oklahoma



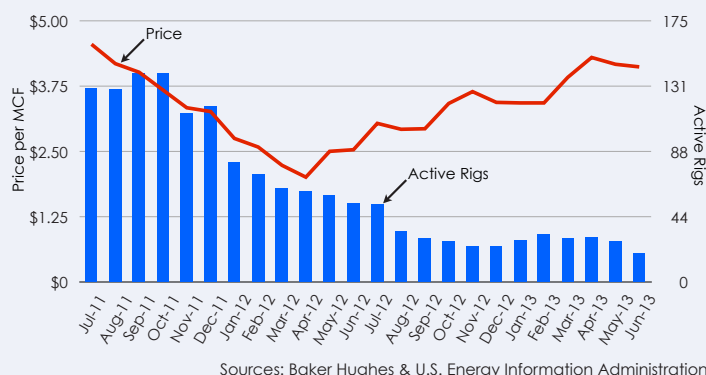
This graph predicts six-month growth by tracking leading indicators of the state economy including initial unemployment claims, interest rate spreads, manufacturing and earnings.

Oklahoma Stock Index

Top 25 capitalized companies



Oklahoma Natural Gas Prices & Active Rigs



Oklahoma Oil Prices & Active Rigs

